



UNITED DRUG COMPANY

ORGANIZATION, ETC.

OFFICERS

LOUIS K. LIGGETT, *President*
JAMES C. BRADY, *Vice-President*
FRED S. ROGERS, *Vice-President*
LOUIS I. SCHREINER, *Vice-President*
JAMES C. McCORMICK, *Treasurer*
CHARLES E. MURNAN, *Secretary*
J. N. STAPLES, JR., *Assistant to President*

DIRECTORS

Louis K. Liggett, Boston, Mass.
George W. Bence, Boston, Mass. E. R. Petty, Newark, N. J.
James C. Brady, Fall River, Mass. Fred S. Rogers, Middletown, N. Y.
W. M. Federmann, Kansas City, Mo. E. L. Scholtz, Denver, Colo.
Byron M. Hyde, Rochester, N. Y. Louis I. Schreiner, Boston, Mass.
Walter A. May, Pittsburgh, Pa. J. N. Staples, Jr., Boston, Mass.
James C. McCormick, Boston, Mass. Thomas P. Taylor, Louisville, Ky.
Charles E. Murnan, Boston, Mass. Thomas Voegeli, Minneapolis, Minn.

CORPORATION COUNSEL

Gaston, Snow & Saltonstall, Shawmut Bank Building, Boston, Mass.
and
Emery, Booth, Janney & Varney, Boston, Mass., on Trade Mark Matters

STOCK TRANSFER AGENTS

American Trust Co., 50 State St., Boston, Mass.

GENERAL OFFICES

43 Leon St., Boston, Mass.

DISTRIBUTING BRANCHES

Chicago, Ill., 1416 37th St., corner Loomis Place San Francisco, Cal., 611 Mission St.
St. Louis, Mo., 16th and Pine Sts. Liverpool, England, 114 Old Hall St.

CANADIAN COMPANY

(Separate Corporation)

UNITED DRUG COMPANY Limited

Lake & Bay Sts., Toronto, Ont.

ANNUAL REPORT

UNITED DRUG COMPANY

43 Leon St., Boston, Mass.,
September 3, 1912.

To the Stockholders of United Drug Company:

As President and General Manager of your Companies, and with the approval of the Executive Committee of your Board of Directors, I herewith submit the report of business for the fiscal year ending June 30, 1912.

We continue to operate the two corporations, United Drug Company of New Jersey and United Drug Company of Massachusetts. The plan which contemplates the dissolution of the New Jersey Company and the continuance and development of the business by the Massachusetts Company is not yet matured, so that the situation now in that respect is practically as I stated it in the report of June 30, 1911, *viz*: the New Jersey Company is the Company that is dealing in merchandise. The Massachusetts Company owns ninety-eight and eight-tenths (98.8) per cent of all the stock of the New Jersey Company. When the reorganization is completed, the New Jersey Company will be dissolved, and the Massachusetts Company itself will be buying, manufacturing and dealing in merchandise, and it will also be, as it is now, the Company which owns the stock of other corporations constituting your remarkable and rapidly expanding enterprises.

It is necessary for the present to deal with the report of the active company, the United Drug Company of New Jersey; therefore, the statement of assets and liabilities, of sales, profits, etc., shown in this report, unless otherwise described, is of the United Drug Company of New Jersey and its direct manufacturing subsidiaries, all consolidated and set forth as one going concern.

I invite your attention to this trial balance of June 30, 1912, drawn from the books and audited by Messrs. Harvey S. Chase & Co., Certified Public Accountants, of the City of Boston and Commonwealth of Massachusetts, and also to their statement accompanying the balance sheet (pages 6 and 7).

In general explanation of the sub-division of assets and liabilities shown thereon, I ask your attention to the following:

Cash	This asset explains itself, and represents our usual cash balance.
Accounts Receivable	Is solely for merchandise sold in the course of business, and, with a single exception, contains no account that is over six months old.
Notes Receivable	Contains no note that is not, in our judgment, collectible at its face value when due.

Merchandise Inventory The inventory has been most carefully and accurately taken at actual cost. Obsolete and inactive merchandise of whatsoever kind has not been considered of any value in this report.

Accounts Payable We cash discount all bills without exception, and not one dollar of the amount shown as accounts payable had been due for the cash discount period.

Notes Payable This liability represents money in excess of that represented by the issued capital stock, that is used in the conduct of this growing business. There is yet in the treasury of the New Jersey Company an amount of unissued preferred capital stock, but it has been considered wise not to sell it, in view of the impending reorganization, but better to sell time paper, which we usually do through our brokers, Messrs. F. S. Moseley & Co., Boston, New York and Chicago, which paper is in constant demand and is sold at the minimum rates of interest. The Company's name is not endorsed on the notes of any other company or on the notes of any individual.

Plant and Equipment The Company has an actual cash investment in its plants and equipments of \$861,119.25. It is shown on the books at cost, regardless of the enhanced value of the property it owns and occupies. This is free of all liens, except a small mortgage of \$50,000, which runs from year to year, and so can be removed when considered desirable.

Advances and Suspense Assets are insurance, taxes, rentals, etc., paid in advance.

Formulae and Trade Marks The Company continues to carry \$314,145.74 as the amount invested in formulae and trade marks, which is the aggregate of \$140,000, the price paid in capital stock by the Board of Directors on October 5, 1902, in consideration of the formulae turned over at that time by the founders of the Company, and \$174,145.74, the net amount required to be invested during the first two years of its activities in establishing its brands. Since that time nothing has been added to this account, notwithstanding the fact that large expenditures have been made in protecting our trade marks from infringements, and in establishing them firmly throughout the country, all of which expenditures have been charged into the expense of doing business.

Capital Stock \$1,273,200 is the aggregate of \$523,900 Preferred and \$749,300 Common stock issued, all of which, with the exception of one and two-tenths per cent (1.2%), is owned by the United Drug Company of Massachusetts.

Surplus During the last fiscal year we have added to surplus \$85,094.76.

Dividends We have paid the regular 7% dividend on the Preferred stock issued, and we have also paid sufficient dividends upon the Common stock to enable the Massachusetts Company to declare and pay its four regular quarterly dividends of 1% per cent on its Preferred stock and its regular 2% quarterly dividends on its Common stock, with an extra 1% last September, making 9% in all on its Common stock during the year.

Reserve Represents the write-off on machinery and equipment used by the Company, at the rate of one per cent (1%) of its value per month (12% per year) and this is to provide for depreciation, wear and tear, and obsolete machinery. Since all repairs, renewals, etc., are charged off each month to the expense of doing business, and our machinery and equipment are kept in prime condition, it will be readily seen that the amount of reserve is more than ample for its purpose.

Insurance All of our buildings and equipment, raw materials, stock in process, and finished goods, are covered by a fire insurance blanket policy of ninety per cent (90%) of the total valuation.

Earnings Net earnings for the fiscal year ending June 30, 1912, were \$371,422.23.

It is gratifying to state that the net earnings are in excess of the net earnings for the comparative period a year ago, notwithstanding the fact that

We have erected a new building at the home plant, and moved into it the entire printing and publishing plant; Rubber Goods Department; English Department; equipped employees' dining room, locker rooms, etc., and warerooms for raw materials;

We equipped a new building four times as large as the old candy factory, moved all the machinery and equipment, and established our candy manufacturing in the new building, in another section of the city;

We have renovated the building formerly occupied by the Candy Company, and moved the entire perfume factory into it, increasing its capacity fourfold;

We have erected, equipped and moved into a new building for the Chicago Branch, increasing capacity 250%, and provided ample refrigerating equipment for the proper care of candy, etc.;

We have established a stock warehouse and distributing branch in St. Louis, Mo., for the convenience of stockholders in the middle west and southwest;

And have charged into the expenses for the year the entire cost of all these operations of moving, renovating and re-establishing.

The Company has also been engaged in more rapid development than ever before, which necessarily has required unusual expenses in advance of the benefit to be derived therefrom.

Sales Sales of merchandise by United Drug Company by years since its organization are as follows:

1903.....	\$ 61,777.44	
1904.....	324,564.68	
1905.....	418,084.86	
1906.....	606,453.90	
1907.....	1,014,619.56	
1908.....	913,608.37	
1909.....	1,389,319.73	(fiscal period
1910.....	2,115,839.74	10 months)
1911.....	2,839,328.91	
1912.....	3,414,566.63	

Banks We Do Business With The Company, on account of the wide distribution of its branches and its patrons, has established relations and does business with the following banks:

American Trust Company, Boston
National Shawmut Bank, Boston
National Rockland Bank, Boston
National Park Bank, New York
First National Bank, Boston
New Netherland Bank, New York

Continental & Commercial National Bank,
Chicago
National Bank of Commerce, St. Louis
Bank of Montreal, Toronto
Bank of Liverpool, Ltd., Liverpool, England
Union of London & Smith's Bank, Ltd.,
London, England

(COPY)

HARVEY S. CHASE & COMPANY
Certified Public Accountants
84 State Street, Boston

August 16, 1912.

Louis K. Liggett, Esq., President.

United Drug Company, Boston.

Dear Sir: We have completed our examination of the United Drug Company and of the subsidiary companies for the year ended June 30, 1912, and submit herewith Consolidated Balance Sheet as of that date.

As in former years we have verified in complete detail the transactions of the treasurer's office, have found all cash receipts to be properly accounted for and satisfactory vouchers for all disbursements. The accounts and notes receivable include no balances against officers or employees for personal loans.

We certify that the balance sheet submitted is correct and in accord with the books of the Company.

Very respectfully,
(Signed) HARVEY S. CHASE & COMPANY.
Certified Public Accountants.

United Drug Company (of N. J.) and Subsidiary Companies

Consolidated Balance Sheet

June 30, 1912

Assets

Cash	\$108,746.67
Accounts Receivable	780,237.44
Notes Receivable	124,996.02
Merchandise Inventory	969,177.45
Stocks and Bonds	601.00
	\$1,983,758.58

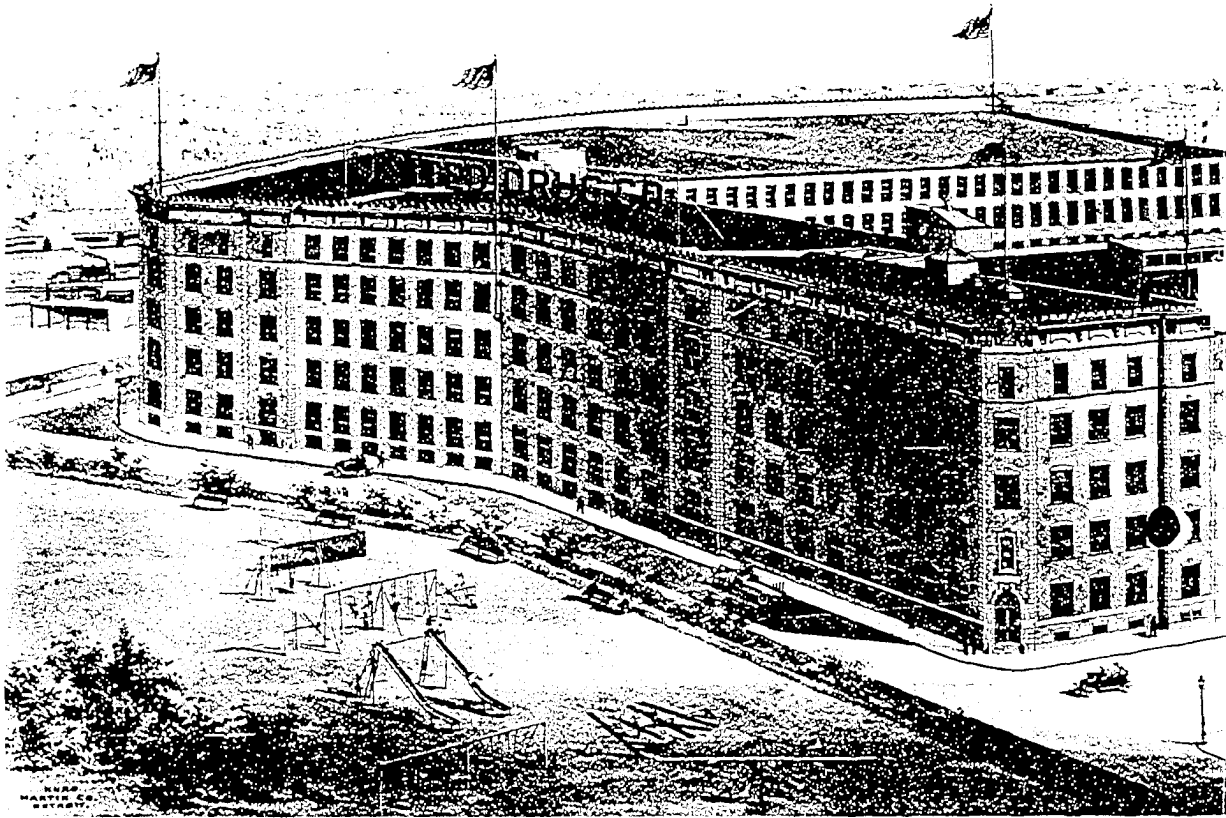
Liabilities

Accounts Payable	\$105,794.75
Notes Payable	875,000.00
	\$980,794.75

Plant and Real Estate	\$515,434.22
Furniture, Utensils and Machinery	345,685.03
Advances	63,087.18
Suspense	12,077.30
Formulae and Trade Mark	314,145.74
	\$3,234,188.05

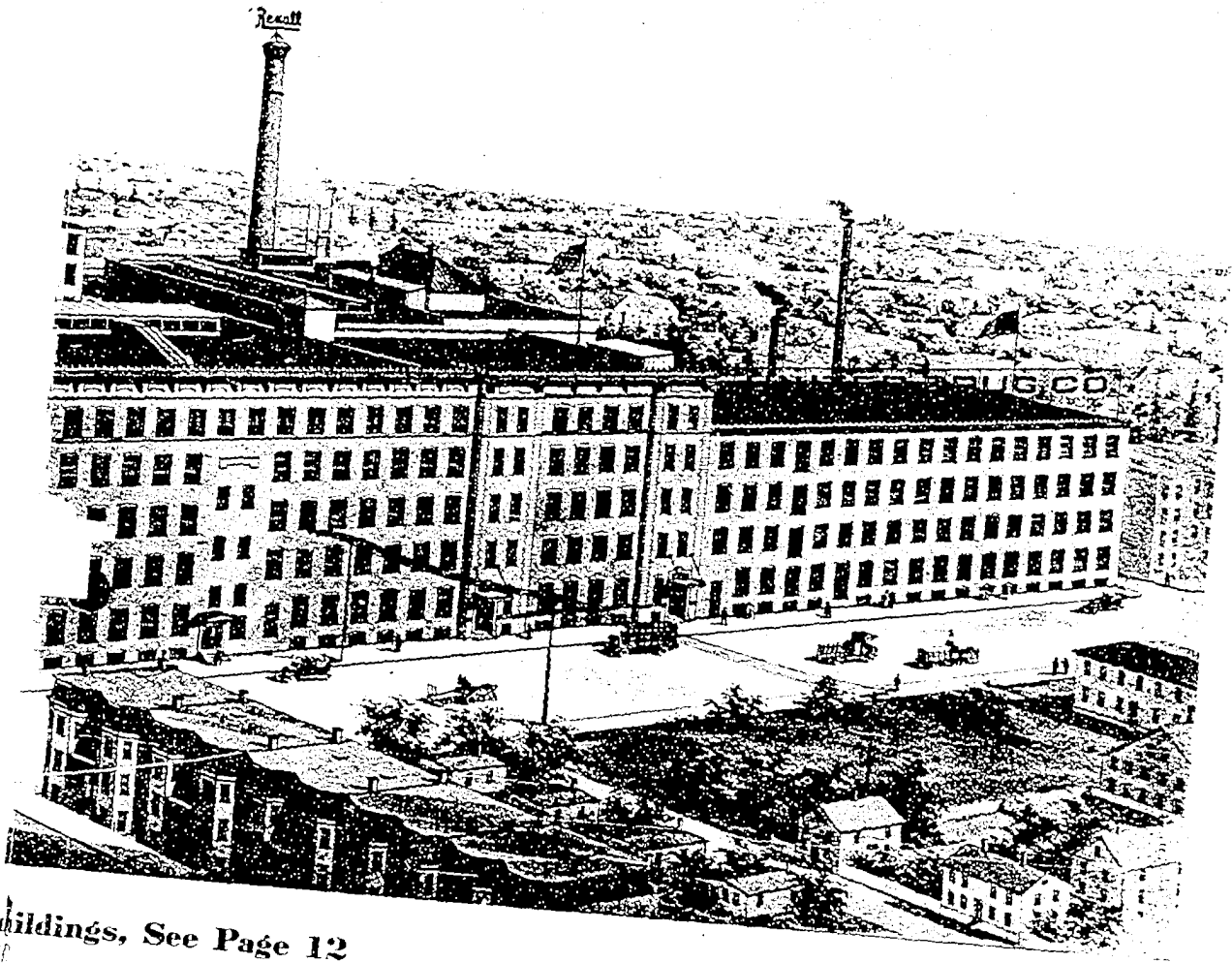
Mortgage	\$ 50,000.00
Capital	1,273,200.00
Surplus	861,324.38
Reserve	68,868.92
	\$3,234,188.05

Main Plant of the United Drug Company



For Description of Bu

any in the Roxbury District, Boston



Buildings, See Page 12

In Regard to the Massachusetts Company

As stated at the outset of this report, the United Drug Company of Massachusetts owns ninety-eight and eight-tenths per cent (98.8%) of the stock of United Drug Company of New Jersey, and after the reorganization it is to be the merchandising company, and the New Jersey Company will then be dissolved.

I regret to state that owing to the unexpected decision of the Court of Errors and Appeals of the State of New Jersey, the dissolution of the New Jersey Company could not be effected without the consent of every holder of voting stock. Our attorneys advise me that the court based its decision upon a very narrow construction of the New Jersey statutes. The substance of it seemed to be that, in spite of apparent statutory authorization to dissolve for any purpose on vote of two-thirds of its stockholders, no New Jersey corporation can dissolve without the consent of each individual holder of voting stock, for the purpose of withdrawing from the State and establishing itself in another State. Our attorneys have under way several plans for effecting this reorganization. This decision, however, has not had the effect of embarrassing us in a practical way, as the dissenting stockholder apparently intended to embarrass us, but it means that the Massachusetts Company, for the present, must continue to be the Company which holds the stocks of the New Jersey Company and other companies affiliated with us.

To show you what the Massachusetts Company holds, I submit its Trial Balance of June 30, 1912.

UNITED DRUG COMPANY OF MASSACHUSETTS

Trial Balance June 30, 1912

<i>Assets</i>		<i>Liabilities</i>	
Accounts Receivable	\$ 108,275.83	Accounts & Notes Payable . . .	\$ 82,234.69
Cash	3,309.19	Capital Stock	3,589,450.00
Notes Receivable	930,033.65	Surplus	13,937.87
Investment Stock Accounts . .	2,538,954.78		
Trade Mark Investment	96,363.27		
Furniture, Utensils & Machy. .	1,433.08		
Merchandise Inventory	7,252.76		
	\$3,685,622.56		\$3,685,622.56

In further analysis of the Massachusetts Company's holdings, I report as follows:

Accounts and Notes Receivable Represents money advanced to its subsidiary companies used by them in the conduct of business. It also includes merchandise with which the company is establishing its business in Great Britain and Ireland.

Investment Stock Account This is the actual cost of the stocks of the following companies, which the Massachusetts Company controls:

UNITED DRUG COMPANY OF NEW JERSEY

The present operating company, including United Candy Co., United Perfume Co., and United Laboratories Co.

UNITED DRUG COMPANY, LIMITED, OF CANADA

Conducting business in Canada similar to United Drug Co.'s business in the United States

LOUIS K. LIGGETT COMPANY

Operating fifty (50) retail drug stores

F. L. DAGGETT COMPANY

Manufacturing and dealing in soda fountain supplies and candy

HANSON-JENKS COMPANY

Perfumers; New York

BALLARDVALE SPRINGS COMPANY

Owning the famous Ballardvale Springs, and dealing in its water and soft beverages made with the water

THE BREATHLETS COMPANY

Manufacturing and dealing in "Breathlets," breath perfumes, etc.

The aggregate sales of goods by these companies in the calendar year of 1912 will reach \$10,000,000. These are the companies that constitute the business of the United Drug Company of Massachusetts. Each of them is rapidly increasing its business and its net returns, and is capable of large development.

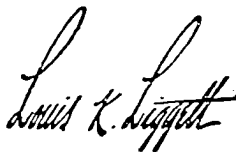
Trade Mark Investment is the total amount paid in preferred stock and cash to the owners of the firm of E. M. Regis & Co. for its assets, good will, formulae and trade marks, including the "Rex" trade mark.

Accounts and Notes Payable This figure is made up for the most part of current bills that are always discounted and a \$50,000 note due American Trust Co. of Boston, which sum the Company has borrowed, as it does borrow on its notes from time to time for accommodation as necessary.

Surplus The surplus as shown is merely nominal, since the Massachusetts Company, through its ownership of the stocks of the above listed companies, owns the surplus of each of them. In this connection, I may say that we have allowed all the profits of these companies (except the New Jersey Co.) to remain in the companies for their development.

I consider that this last year has been the most progressive year the Company has ever had. While we have had a large increase in business, the main accomplishment has been in the extension of our manufacturing and distributing facilities. We have spared no effort or expense in undertaking to provide for the growing demands of our stockholders, and believe that we are for the first time in the history of the Company in a position properly to supply these demands and to give good service and prompt delivery.

Very respectfully,

 President.

Schedule of United Drug Company Buildings

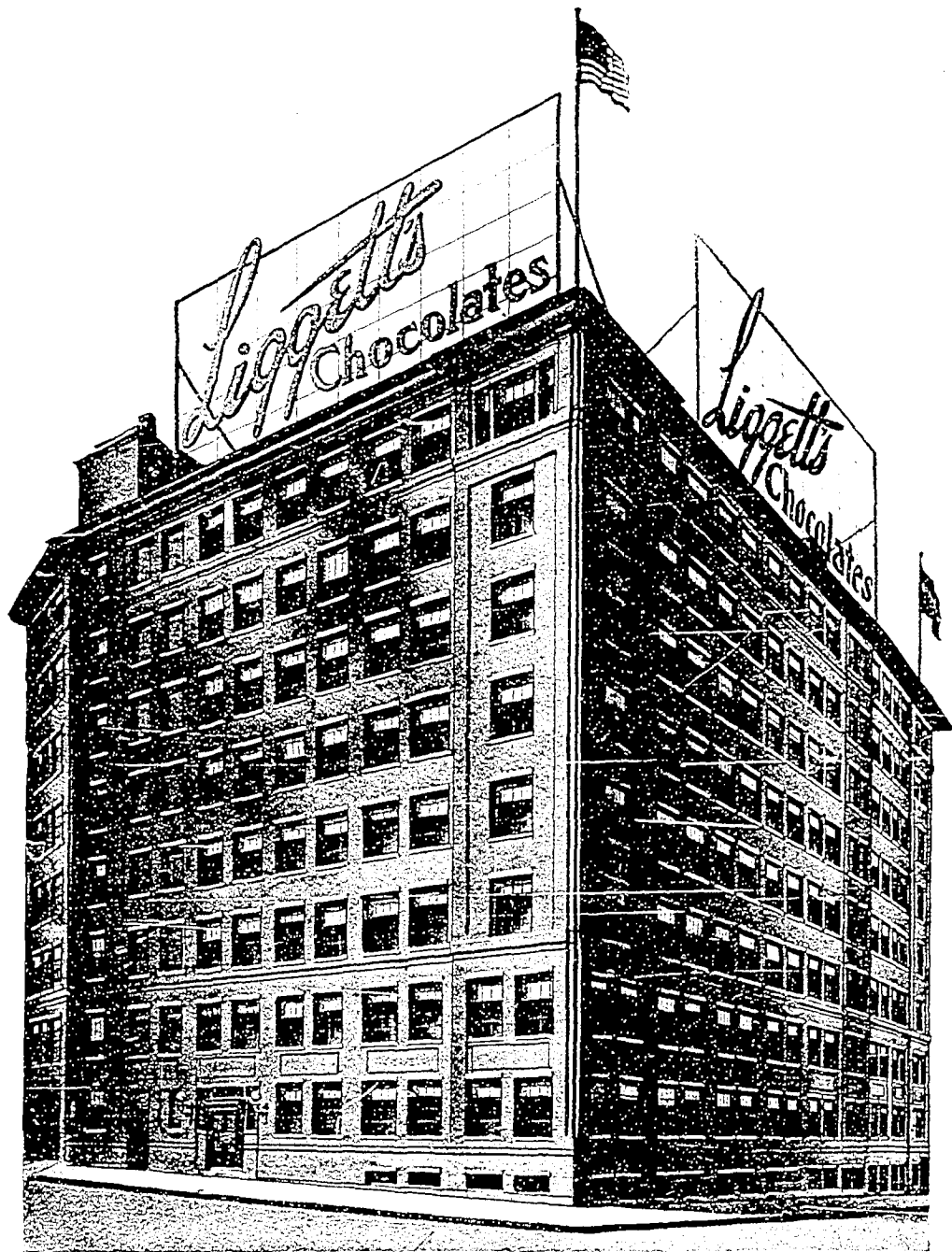
A photograph of the main plant of United Drug Company in the Roxbury District at Boston, appears as a center page in this report. The same comprises seven separate and distinct buildings, with a total area of 217,000 square feet, and the separate buildings are enumerated below.

The United Drug Company in addition to operating in this main plant at Roxbury, also operates in other factories and warehouse buildings, which are illustrated and described herewith.

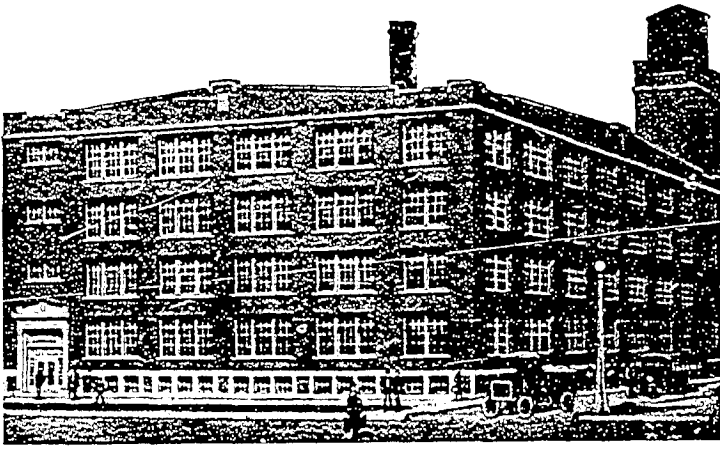
The total of floor space in all buildings combined is 489,450 square feet, or more than eleven acres.

LIST OF BUILDINGS IN MAIN PLANT AT ROXBURY

Building A.	Manufacturing of fluid preparations, shipping and storage of bottles.	21,000 sq. ft.
Building B.	Manufacturing of pastes, salves and powders put out in jars and tins, such as cold creams, tooth pastes, tooth powders, shampoo paste and other toilet articles Analytical chemist's office. General finished stock room.	50,000 sq. ft.
Building C.	Power house and lighting and refrigeration plant.	5,000 sq. ft.
Building D.	Perfumery Laboratory, extracts, toilet waters, liquid soaps, rouges, sachets, nail polishes, etc.	30,000 sq. ft.
Building E.	Manufacturing of powders and tablets, toilet and medicinal talcum powders, face powders, foot powders, licorice powder, sugar of milk, etc. Dyspepsia tablets, bronchial tablets, charcoal tablets, soda mint tablets, etc. A floor for the manufacture of paper boxes for the output of all factories. Chemical stock room. Two floors for the assembling and shipping of our output of stationery and writing papers.	36,000 sq. ft.
Building F.	Printing plant comprising 22 presses. Dining room and locker room for employees. Assembling and finishing rooms for preparations marketed by us in Great Britain.	
Administration and office building, including Directors' Room, Offices of President, Vice-President, Treasurer, Secretary and Sales Manager, Advertising Department, Accounting Department, Factory Cost Offices, Purchasing Agent's Office, Telephone and Telegraph Rooms, and Factory Manager's Offices.		15,000 sq. ft.



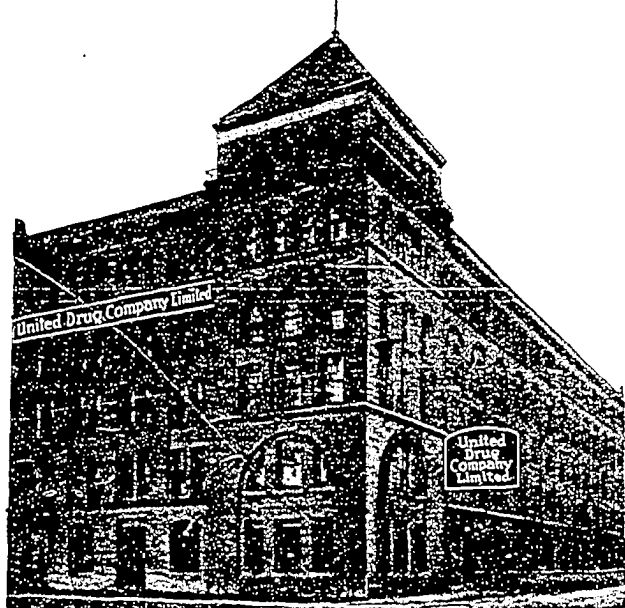
New candy factory in the North End of Boston. One of the largest and best equipped candy factories in this country. Built especially for us on lease for a long term of years. 112,000 square feet.



Chicago Branch distributing point, located at 1416-1426 W. 37th St., cor. Loomis Place, Chicago, Ill. Constructed especially for us in the Central Manufacturing District of Chicago. Comprising 60,000 square feet. For distributing our product in the Middle West



St. Louis Branch warehouse, 16th and Pine Sts., St. Louis, Mo., comprising 28,000 square feet. A building of four floors and basement. From this building is distributed our product to the southwestern trade, comprising druggists in the states of Missouri, Texas, Oklahoma, etc.



Plant of United Drug Co., Ltd., Toronto, Ont., Canada, a modern factory producing a general line of our goods along the same lines that we operate in Boston.
Area 30,000 square feet



Plant of F. L. Daggett Co., Lewis Wharf, Boston, controlled by us and producing a line of fruit syrups, orangeade, candies, etc. 42,450 square feet